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COSTS and RETURNS

Western
Livestock
Ranches



1965

FARM COSTS STUDIES

This report is part of a continuing nationwide study of costs and returns on commercial farms and ranches by type and size in some of the important farming regions of the United States. The study is conducted under the general supervision of Wylie D. Goodsell, Farm Production Economics Division, Economic Research Service. Objectives, methodology, procedure, and terms are uniform for all areas covered in the study.

The 1965 costs and returns studies have been conducted on the following:

Dairy Farms, Northeast and Midwest
 Corn Belt Farms
 Egg-Producing Farms, New Jersey
 Broiler Farms, Maine, Delmarva, and Georgia
 Cotton Farms
 Tobacco Farms, Coastal Plain, North Carolina
 Tobacco-Livestock Farms, Bluegrass Area, Kentucky
 Wheat Farms, Plains and Pacific Northwest
 Western Livestock Ranches

Summary statistics for all types of farms in the study are presented in a report, revised annually. The latest such report was published in 1965 and is titled: "Farm Costs and Returns, Commercial Farms, by Type, Size, and Location," Agriculture Information Bulletin No. 230, Revised 1965.

Information on the studies can be obtained from Farm Production Economics Division, Economic Research Service, U.S. Department of Agriculture, Washington, D.C. 20250.

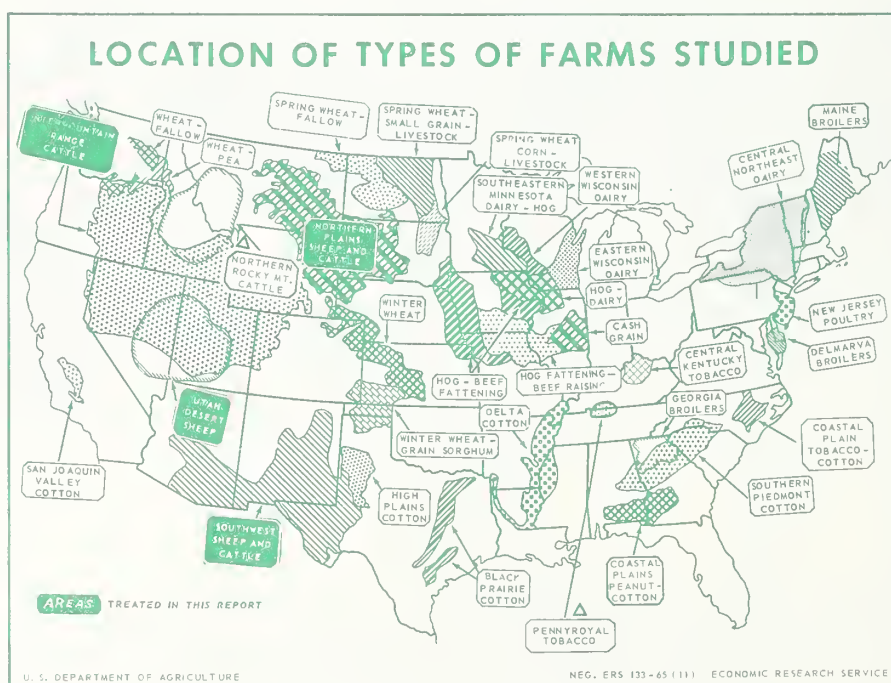


Figure 1

COSTS AND RETURNS WESTERN LIVESTOCK RANCHES, 1965

Wylie D. Goodsell and James R. Gray ¹

SUMMARY

Nineteen hundred sixty-five was the first year in many that production conditions, prices and operations were generally favorable to typical Western livestock ranchers in each of the 4 areas included in these analyses (fig. 1). Range conditions, which are very important to these ranchers, were generally favorable and in some areas were the most favorable in many years. Livestock were marketed at relatively heavier weights and in good condition.

Net production in 1965 averaged as high or higher than 1964 on all of the ranches studied and ranged from no change on Northern Plains sheep ranches to nearly 28 percent higher on Southwest sheep ranches. Prices received averaged higher in 1965 on all ranches and ranged from slightly over 7 percent higher on Southwest sheep ranches to around 20 percent higher on Southwest cattle ranches.

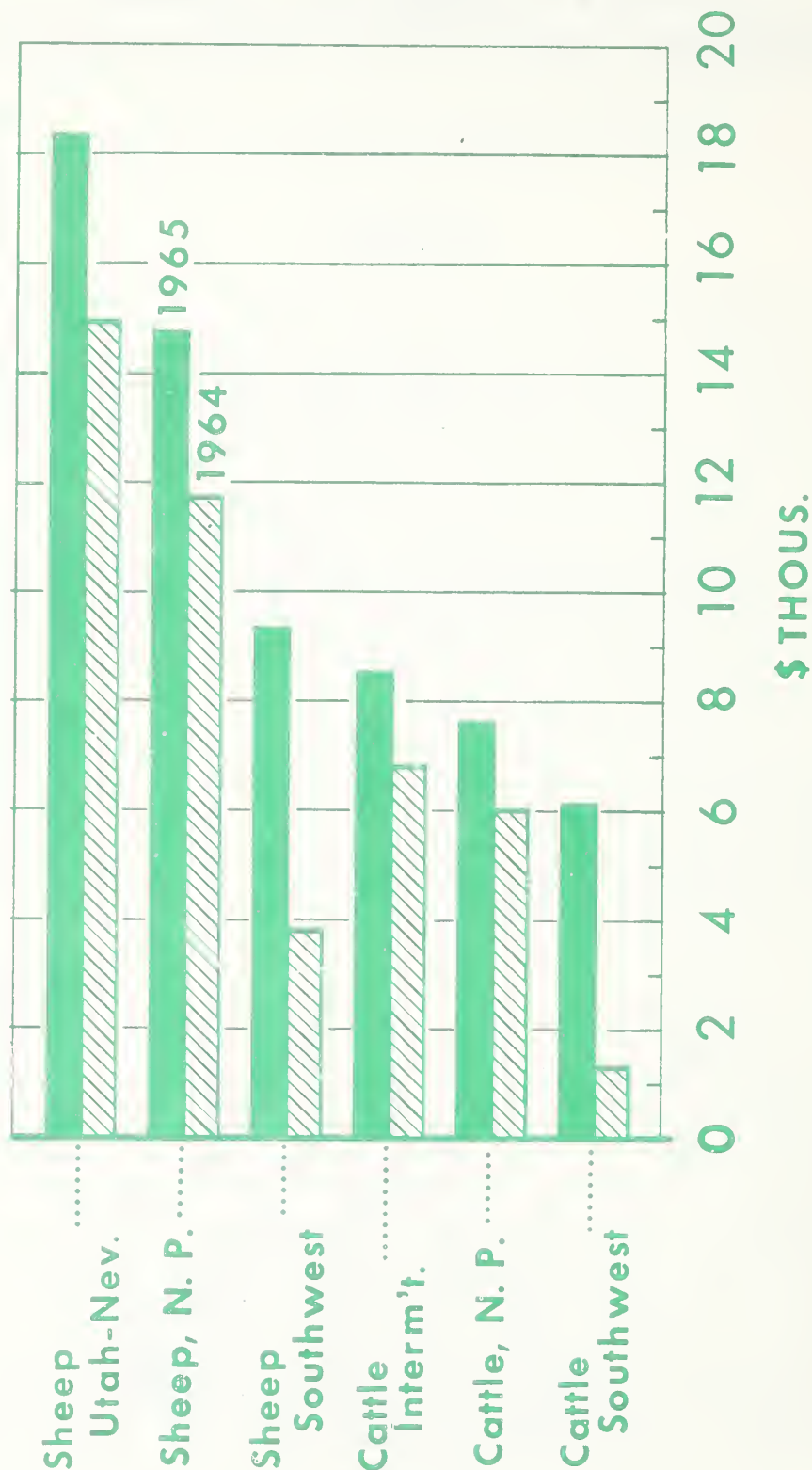
These factors combined to bring about increases in net ranch incomes in 1965 compared with 1964 ranging from around 25 percent on Northern Plains cattle and sheep ranches and Intermountain cattle ranches to 369 percent on Southwest cattle ranches (fig. 2). Net ranch incomes for the past 3 years and percentage changes in income for these typical Western livestock ranches were as follows:

	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>Percentage change--</u>	
				<u>1963 to</u> <u>1964</u>	<u>1964 to</u> <u>1965</u>
Cattle ranches:					
Northern Plains.	\$7,385	\$6,043	\$7,599	-18	26
Intermountain.	10,133	6,829	8,548	-33	25
Southwest.	5,272	1,310	6,146	-75	369
Sheep ranches:					
Northern Plains	12,961	11,731	14,695	-9	25
Utah-Nevada.	13,261	14,915	18,335	12	23
Southwest.	5,926	3,752	9,312	-37	148

¹ Agricultural Economist, Farm Production Economics Division, Economic Research Service, U.S. Department of Agriculture, and Associate Professor, New Mexico State University, respectively. The New Mexico Agricultural Experiment Station is a contributor to the continuing study of costs and returns on commercial ranches in the Western Region.

NET RANCH INCOME

Western Livestock Ranches



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Figure 2

Seldom do all of the important factors combine so well in a given year to the ranchers' advantage. The largest relative increase in net returns from 1964 to 1965 came on Southwest cattle ranches. On these ranches, production was around 11 percent higher, prices received were nearly 21 percent higher, and prices paid were slightly lower in 1965 compared with a year earlier. The next largest increase in net returns came on sheep ranches in the same area. On these ranches,

production was about 28 percent higher, prices received were nearly 8 percent higher, and prices paid were slightly lower in 1965 than in 1964. These factors were far less favorable on the other ranches. For example, on Utah-Nevada sheep ranches, net ranch production was only 3 percent higher in 1965 than in 1964 and prices received were about 8 percent higher. However, prices paid, although less important in determining net returns, were also higher in 1965.

CATTLE RANCHES

Northern Plains

Conditions were good on cattle ranches in the Northern Great Plains during 1965. Despite poor production conditions early in the year in some sections of Montana and South Dakota, heavy rains occurred in the spring and throughout the summer and early fall. Spring calving conditions were not favorable, mainly because of unseasonably cold weather. However, at market time, livestock production rates generally were high and livestock weights were up because of good summer grazing. The heavier marketing weights overcame the effects of lower calving percentages and higher death losses than those of 1964. Prices received for calves recovered from the low level in 1964, increasing about 12 percent; but they failed to reach the high levels of the 1961-63 period.

Northern Plains cattle ranchers went against the nationwide downward trend in cattle numbers during 1965. Favorable range conditions and the prospect of higher prices encouraged them to increase breeding herds from January 1, 1965, to January 1, 1966. Fewer than the usual number of breeding

livestock were sold and more than the usual number of heifer calves were held over in the breeding herd. The 1965 increase in inventory numbers represents the fourth consecutive time that ranchers ended the year with more cattle.

The cropping enterprise is important on Northern Plains cattle ranches. The delayed spring tended to reduce the acreage planted on ranches in this region. However, favorable moisture conditions permitted higher hay yields. Grain yields were lower in 1965 than in 1964. The acreage of native hays harvested increased substantially in 1965 as it usually does with favorable moisture and growing conditions, and yields were much higher than in the previous year. With lower demand and lower prices for hay, many ranchers held most of their hay crops off the market. Since grains, particularly wheat, are the major cash crop on these cattle ranches, cash receipts from the crop enterprise in 1965 were down about 40 percent from 1964.

Despite lower crop incomes on these cattle ranches, heavy market weights of animals and higher prices received for feeder cattle combined to permit higher gross incomes in

1965. Inventory gains in livestock and crops were partially responsible. The major factor was increased receipts from cattle. These were up about 17 percent from those in 1964.

Cash expenditures in 1965 on typical cattle ranches in the Northern Plains crept upward as ranchers paid slightly higher prices for labor, machinery and equipment, and replacement livestock. Ranchers attempted to economize by investing fewer dollars in replacement machinery and vehicles, but many variable costs, such as labor, machinery operating expenses and replacement livestock canceled the saving. Gross expenses in 1965 were about 5 percent higher than those of 1964 (table 1).

Substantially higher gross incomes with only a 5 percent increase in expenses meant ranchers obtained net ranch incomes that compared favorably with those achieved in the 1962-63 period. The net ranch income of over \$7,500 per ranch permitted a return to the operator and his family for their unpaid labor and management of 81 cents per hour. This return was about the same as that of 1962.

Index numbers provide a summary measure of change taking place on farms and ranches. Index numbers of both gross and net incomes increased from 1964 to 1965 as did the index of net ranch production. The production indexes increased more than the indexes of resources used in production. However, when the cost indexes--which combine the quantities of resources used with the current prices paid for the resources--are compared with the production indexes, the costs per unit of production were higher in 1965 than in 1964. Essentially the

same relationship occurred between prices paid and prices received by ranchers in 1965 as was the case in 1963. The indexes of both prices paid and received in 1965 were 99, (1957-59 = 100). Higher prices paid for items purchased from the non-agricultural sector--machinery, labor, livestock supplies, building materials and taxes--were offset by lower prices paid for items purchased from the agricultural sector--feed and replacement livestock.

Intermountain Region

Net ranch income in 1965 on typical cattle ranches in the Intermountain area averaged about \$8,500 per ranch (table 1). This is about 25 percent higher than in 1964 but around 20 percent below the previous 5-year average. Except for 1964, it was the lowest average income since 1956.

Higher average incomes in 1965 compared with 1964 are attributable to several factors. Although production conditions in 1965 were spotty with considerable variation among localities, on the whole they were improved significantly from 1964 and were the best in several years. The indexes of range conditions for this area were the best since 1947. Many ranchers reported lush range conditions and cattle in top flesh. Some ranchers reported lush range conditions but stated that the grass and forage were so succulent that there was less "strength" in the feed and animals did not make the gains in weight they had expected or hoped for. They reported that in their locality the cattle appeared to be in very good condition but had not developed the firm flesh usually expected. Range conditions in central and southern Nevada, southwestern

Utah and western Colorado averaged considerably better than in 1964, and for the most part they were improved from a year earlier in most areas. A few areas reported little change from 1964, particularly in the mid-summer months.

The index of cattle condition for the area as a whole was lower in the early months of 1965 compared with a year earlier but improved in the later months and averaged slightly higher for all of 1965. The net result was that calf weights at market time averaged nearly 7 percent higher in 1965 than in 1964.

Some ranchers reported that the early storms presented problems at calving time but aided forage growth later. However, the percentage calf crop for the area as a whole averaged slightly higher than in 1964. With a better than 7 percent larger number of cows and heifers in the 1965 breeding herd and a slightly higher calving percentage than in 1964, the number of calves born in 1965 was about 9 percent greater than in 1964.

The total number of beef animals sold per ranch was about 17 percent greater in 1965. The number of cows and heifers sold was not significantly greater than in 1964 but the number of calves sold was up materially from a year earlier. The total liveweight of calves sold in 1965 was nearly 65 percent higher than in 1964. The total liveweight of yearling steers and heifers sold was about 7 percent lower than in 1964. Culling of breeding herds was heavier than usual and about 5 percent more breeding animals were sold in 1965 than in 1964. As a result the breeding herd which had generally increased for several years on these ranches leveled off in 1965, and the ending inventory was about the same as the beginning inventory.

Prices received for all classes of cattle sold on these ranches averaged higher in 1965 than in 1964. In 1965 calves brought better than \$22.50 per hundredweight compared with about \$19.50 in 1964, long-yearling steers and heifers brought \$21.50 compared with \$18.30 the year before, and cows brought nearly \$13.25 compared with \$11.75 in 1964. Gross sales from cattle averaged about \$15,500 per ranch in 1965 compared with about \$12,500 in 1964.

Practically 100 percent of sales from these ranches is from the cattle enterprise. Allowing for inventory adjustments and a small amount of ranch-grown produce used in the household, gross ranch income in 1965 was 16 percent higher than in 1964.

Except for a small feed-grain base, the cropland on these ranches is used for the production of hay. Except for native or wild hay the acreage in hay changes little from year to year. Around 250 tons of hay per ranch are produced each year. This is not sufficient to feed the cattle produced and consequently some hay is purchased each year. Despite slightly better per acre yields of hay in 1965, these ranchers had to buy more hay to carry their livestock breeding herds. Prices paid for hay were approximately the same in 1964 and 1965. Other feed costs remained about the same.

Total ranch expenditures averaged about 7 percent higher in 1965 than a year earlier. Prices and cost rates for most inputs increased slightly from 1964 to 1965. Prices of items not farm-produced continued their gradual upward trend. Total real estate and personal property taxes increased about 5 percent

Table 1.- Costs and Returns, Western Cattle Ranches, 1964 and 1965

Item	Unit	Northern Plains		Intermountain region		Southwest	
		1964	1965 1/	1964	1965 1/	1964	1965 1/
Land in ranch.....	Acre	4,440	4,500	1,775	1,775	11,560	11,640
Livestock on ranch:							
All cattle.....	Number	167	174	298	306	252	227
Cows and heifers, 2 years old and over.....	do.	105	110	144	155	160	151
Calf crop.....	Percent	85	83	83	84	80	83
Total ranch capital, Jan. 1.....	Dollar	90,370	90,650	92,330	90,540	188,200	187,400
Land and buildings.....	do.	53,950	57,000	41,710	43,310	149,410	155,630
Livestock.....	do.	25,300	22,520	39,240	35,900	31,000	24,160
Machinery and equipment.....	do.	7,700	7,830	6,810	7,160	5,640	5,580
Crops.....	do.	3,420	3,300	4,570	4,170	2,150	2,030
Total cash receipts.....	do.	12,228	13,090	12,493	15,418	14,733	15,073
Crops.....	do.	1,829	1,091	521	260	0	0
Cattle.....	do.	9,569	11,160	11,824	15,016	14,168	14,623
Other livestock and livestock products.....	do.	480	459	20	0	225	90
Other, including Government payments.....	do.	350	380	128	142	340	360
Value of perquisites.....	do.	912	956	835	881	754	778
Inventory change:							
Livestock.....	do.	1,017	1,110	1,505	-37	-2,068	260
Crops.....	do.	-578	388	-552	346	-21	153
Gross ranch income.....	do.	13,579	15,544	14,281	16,608	13,398	16,264

Total cash expenditures.....	Dollar	:	7,275	8,056	7,631	8,170	11,594	9,772
Feed and grazing fees.....	do.	:	420	323	995	1,231	3,990	2,134
Livestock purchased.....	do.	:	1,243	1,181	374	437	1,400	1,654
Other livestock expense.....	do.	:	174	179	111	116	156	150
Crop expense.....	do.	:	33	41	129	127	7	8
Machinery purchased.....	do.	:	1,350	1,794	1,539	1,531	936	1,306
Other machinery expense.....	do.	:	1,466	1,428	1,362	1,390	1,463	1,400
Ranch buildings and fences.....	do.	:	541	582	250	230	600	450
Labor hired.....	do.	:	792	1,088	1,197	1,356	1,115	897
Taxes.....	do.	:	1,007	1,031	1,530	1,608	1,247	1,250
Other.....	do.	:	249	409	144	144	680	523
Inventory adjustment:		:						
Buildings and fences.....	do.	:	-16	-50	-34	-12	255	463
Machinery and equipment.....	do.	:	277	-61	-145	-98	199	-117
Gross expense.....	do.	:	7,536	7,945	7,452	8,060	12,088	10,118
Net ranch income.....	do.	:	6,043	7,599	6,829	8,548	1,310	6,146

Ranch production and price indexes (1957-59=100)

Net ranch production.....	---	:	120	127	98	100	101	112
Range condition.....	---	:	99	100	99	104	89	98
Prices received for products sold.....	---	:	88	99	81	92	78	94
Prices paid, including wages to hired labor..	---	:	93	99	111	114	115	113

1/ Preliminary.

Note: The information presented here is on an owner-operator basis primarily for comparability between types of ranches. Net ranch income is the return to operator and unpaid members of the family for their labor and management on the ranch and return to total capital. No allowance has been made for payment of rent, interest, or mortgage.

from 1964 to 1965. These taxes have increased year after year and are now almost double the amount 15 years ago. However, the tax base, average size of ranch, investment and volume of business also have increased so only part of the increase in taxes paid is attributable to increased tax rates. The overall increase from 1964 to 1965 in prices and cost rates on these ranches was about 3 percent.

Southwest

Severe drought conditions covered the Southwest region except in the far western portions as the year began in 1965. Beginning in July moisture in appreciable amounts occurred in Texas and New Mexico, while the Arizona portion of the region had less favorable conditions than in 1964 and early 1965. Most of the precipitation fell so late in the year that ranges were able to only partially recover from the past 3 years of drought. Ranchers in Texas and Arizona reported fair range conditions for 1965. Ranchers in New Mexico split, with those in western New Mexico reporting fair and those in eastern New Mexico reporting poor conditions. Despite the spotty range conditions, the average for this area was up considerably from a year earlier, and livestock were maintained generally in good condition.

In 1965 calving percentages were up about 3 points from the 1964 level. Late rains improved grazing conditions and helped calf and yearling marketing weights to recover to about the 1961 level. Prices generally were favorable in the fall marketing period, with calf prices up almost \$4.00 per hundred weight from the low price level in 1964. Replacement livestock prices ad-

vanced sharply during 1965 with prices of replacement cows nearly doubling during the year. Ranchers in the Southwest, like ranchers in the Northern Plains and in parts of the Rocky Mountain area, increased their inventories of beef cattle despite the nationwide trend to lower cattle numbers.

Cash receipts were moderately higher on typical Southwest cattle ranches in 1965. Ranchers reduced the number of animals sold as it appeared that the drought was over in the area. Favorable prices permitted receipts to increase despite the lower number sold. Ranchers reduced the number of breeding cows per herd while sharply increasing the number of replacement heifer calves and steers. The net effect was a small decrease in the inventory value of livestock. After considering all physical factors combined, net ranch production in 1965 was about 11 percent greater than in 1964 and the highest in several years.

Gross ranch incomes per ranch on typical Southwest cattle ranches were nearly \$3,000 higher in 1965 than in 1964, but only slightly higher than the 1957-59 average.

Feed costs and grazing fees were lower on Southwest cattle in 1965 than in 1964, as were labor costs and miscellaneous expenditures. Costs were higher for replacement livestock, machinery and vehicle purchases and livestock replacements. Total cash expenditures were reduced substantially--about 16 percent--during 1965.

Net ranch incomes on typical Southwest cattle ranches in 1965 recovered from the disastrously low level of 1964 and were nearly 17 percent higher than those

received in 1963. Net incomes in 1965 failed to recover to the average typical of the late 1950s and the early 1960s--the \$7,000 to \$8,000 range. Land values increased again in the region as they have almost continuously since 1939.

The index numbers for 1965 representing production, costs, income

and prices on typical Southwest ranches generally indicated higher income, higher production, lower costs per unit of production, and a more favorable price situation than that of 1964 (table 1). Generally, prices paid and prices received in 1965 were similar to those experienced on these ranches in 1963.

SHEEP RANCHES

Northern Plains

Sheep ranchers in the Northern Plains region experienced a favorable year in 1965, in terms of both production and income. Although cold and wet weather caused heavy lamb losses in the spring, lush summer range permitted the marketing of heavy lambs with the best lamb market prices since 1951. Prices received by these operators for lambs averaged \$22.80 per hundredweight. This was nearly \$3.00 more per hundredweight than was received in 1964. Prices averaged \$20.80 in 1957-59. Net ranch incomes on these typical sheep ranches were up approximately 25 percent above the 1964 level and nearly 39 percent above the 1957-59 average. They were the highest in more than a decade.

The liquidation in sheep numbers that started in 1963 continued through 1965. Sheep ranchers reduced flock numbers and had approximately 5 percent fewer stock sheep on January 1, 1966, than a year earlier. The rate of reduction in 1965 was much less than that in previous years. Ranchers took advantage of favorable market prices and reduced the number of aged ewes to minimum levels.

Cash expenditures in 1965 on typical Northern Plains sheep ranches

were about the same in 1965 as those in 1964 (table 2). Expenditures for most groups of items remained about the same except that a little less was spent for feed in 1965 than in 1964 and a little more was spent for equipment and taxes. Range improvement costs continued at high levels as sheep ranchers continued to fence and cross-fence their ranges in an effort to increase operating efficiencies and reduce labor costs.

The index numbers measuring changes in production, costs, returns and prices on Northern Plains sheep ranches during 1965 indicate that production levels were much the same as those of 1964 and costs and expenses per unit of production were higher than in 1964, but that prices received for products sold were exceptionally favorable for sheep ranchers. Although prices paid by ranchers advanced 4 index points from 1964 to 1965, prices received by them advanced about 13 index points. This is the largest increase since the 22 point advance from 1950 to 1951.

Utah-Nevada

In 1965 operators of typical 2-band desert-operated sheep ranches in western Utah and east-central Nevada had one of their best years in a long while. Net ranch income averaged \$18,335 per ranch, the

Table 2.- Costs and Returns, Western Sheep Ranches, 1964 and 1965

Item	Unit	Northern Plains		Utah-Nevada		Southwest	
		1964	1965 1/	1964	1965 1/	1964	1965 1/
Land in ranch.....	Acre	6,820	6,842	10,240	10,250	13,540	13,600
Livestock on ranch:							
Sheep.....	Number	1,392	1,323	2,217	2,208	1,219	1,250
Ewes.....	do.	1,217	1,186	1,913	1,926	945	991
Lamb crop.....	Percent	85	83	85	85	73	79
Fleece weight.....	Pound	10.1	10.1	10.6	10.2	9.5	9.8
Total ranch capital, Jan. 1.....	Dollar	104,440	111,360	161,510	169,230	222,920	235,220
Land and buildings.....	do.	72,530	76,930	102,300	104,600	195,350	207,820
Livestock.....	do.	23,810	26,210	50,540	55,620	21,530	21,240
Machinery and equipment.....	do.	6,930	7,130	6,790	6,970	5,080	5,210
Crops.....	do.	1,170	1,090	1,880	2,040	960	950
Total cash receipts.....	do.	25,294	26,916	38,316	42,394	16,881	20,332
Crops.....	do.	619	464	1,026	913	0	0
Sheep and lambs.....	do.	13,931	15,250	23,744	27,772	6,947	10,308
Wool.....	do.	7,275	6,444	11,162	9,529	5,688	4,980
Wool payments.....	do.	1,267	2,258	1,944	3,429	931	1,658
Other livestock and livestock products.....	do.	1,802	2,000	440	751	3,015	3,046
Other, including Government payments.....	do.	400	500	0	0	300	340
Value of perquisites.....	do.	978	1,035	655	723	788	805
Inventory change:							
Livestock.....	do.	-512	216	90	-4	-547	632
Crops.....	do.	-227	119	25	281	82	105
Gross ranch income.....	do.	25,533	28,286	39,086	43,394	17,204	21,874

Total cash expenditures.....	Dollar	14,585	14,131	24,410	25,318	12,946	12,087
Feed and grazing fees.....	do.	3,228	2,830	4,528	4,512	4,068	2,359
Livestock purchased.....	do.	1,113	1,112	1,694	1,950	715	1,177
Other livestock expense.....	do.	293	286	2,605	2,643	253	260
Crop expense.....	do.	20	18	226	204	7	8
Machinery purchased.....	do.	1,701	1,856	1,691	1,742	1,034	1,268
Other machinery expense.....	do.	1,486	1,437	1,144	1,169	1,388	1,372
Ranch buildings and fences.....	do.	1,200	1,000	797	807	1,000	900
Labor hired.....	do.	2,996	2,949	8,691	9,003	2,333	2,532
Taxes.....	do.	1,267	1,364	2,471	2,708	1,345	1,400
Other.....	do.	1,281	1,279	563	580	803	811
Inventory adjustment:							
Buildings and fences.....	do.	-721	-481	-228	-235	505	647
Machinery and equipment.....	do.	-62	-59	-11	-24	1	-172
Gross expense.....	do.	13,802	13,591	24,171	25,059	13,452	12,562
Net ranch income.....	do.	11,731	14,695	14,915	18,335	3,752	9,312

Ranch production and price indexes (1957-59=100)

Net ranch production.....		106	106	100	103	83	106
Range condition.....	---	101	102	105	108	89	98
Prices received for products sold 2/.....	---	99	112	99	107	92	99
Prices paid, including wages to hired labor..	---	102	106	114	117	116	115

1/ Preliminary. 2/ Including wool incentive payments.

Note: The information presented here is on an owner-operator basis primarily for comparability between types of ranches. Net ranch income is the return to operator and unpaid members of the family for their labor and management on the ranch and return to total capital. No allowance has been made for payment of rent, interest, or mortgage.

highest since 1958 and approximately 23 percent higher than in 1964 (table 2). Many factors contributed to this generally favorable year and relatively high income. Ranch production was a record high, prices received averaged the highest since 1952, range conditions averaged the best since 1952--being particularly good in the critical summer months--and lambs were marketed at record-high weights.

In 1965 lambs brought an average of \$22.80 per hundredweight on these ranches. This is the highest price received by these ranchers since 1952 and compares with \$20.50 in 1964, \$18.05 in 1963 and \$19.10 in 1962. Compared with \$4.75 a year earlier, cull ewes brought \$5.90 per hundredweight in 1965, the highest price received since 1959. In addition to the relatively high prices received for sheep and lambs in 1965, the largest volume of sheep and lambs since 1960 was sold. As a result, cash receipts from the sale of sheep and lambs were 17 percent greater than in 1964 and the highest since 1951 when sheep and lamb prices were a record high on these ranches. In 1951 ewes brought \$13.80 and lambs \$30.00 per hundredweight.

The wool clip per animal sheared in 1965 on these ranches was estimated at 10.2 pounds, one of the lowest clips in recent years. This compares with 10.6 pounds in 1963 and 1964. The price received for wool by these producers averaged approximately 45 cents per pound in 1965. This was about 5 cents below the price a year earlier and about the same as the average for 1957-59. As a result, total cash receipts in 1965 from direct sale of wool were about 15 percent below those of a year earlier. But, wool incentive payments to these ranchers for shorn wool were approximately 76

percent greater in 1965 than in 1964. Consequently, total cash receipts from wool were only 1 percent below those of 1964.

Except for a few sales of small grains--mostly grown in rotation on the base land on these ranches--and a little income from a few beef animals, ranch income is from the sheep enterprise. During the last 5 years, approximately 96 percent of total cash receipts was from the sheep enterprise. In 1965 total cash receipts were about 11 percent higher than in 1964.

Total cash expenditures and gross ranch expenses per ranch were both between 3 and 4 percent higher in 1965 than a year earlier. This was due mostly to an increase in prices and cost rates for inputs purchased.

The index of prices paid, including wage rates paid to hired labor, increased nearly 3 percent from 1964 to 1965 with slight increases in most items. The greatest increases in cost rates were for personal property taxes, particularly on sheep, and for wages of hired labor. Grazing fees for sheep on forest land were between 7 and 8 percent higher than in 1964. These rates are tied to prices received for lambs in the previous year, and lamb prices in 1964 were up from 1963. In 1965 the overall index of prices paid for items used in production, including wage rates for hired labor, was 117 (1957-59 = 100). This was the seventh consecutive year in which this index has increased. However, the ratio of prices received to prices paid was more favorable in 1965 than in the previous 5 years.

Although the 2-band operating unit has maintained about the same size of flock over the years, there has been an increase in total land

operated. Ranchers have had to increase their grazing lands and rely less on public domain and leased land. Also, the cost of hired labor has remained about the same, but trucking and shipping costs have increased significantly. The total bill for shearing, trucking, machinery (purchases and operation), and labor averaged around \$14,500 per ranch in 1965. This was about 3.5 times the amount spent for these services and items in the early 1940s. Total investment per ranch has more than doubled since 1940 and currently approximates \$170,000, with about two-thirds of it investment in real estate.

Southwest

The recovery in lamb prices that began in 1964 continued through 1965 on Southwest sheep ranches. The prices received in 1965 for lambs by ranchers in the Southwest were the highest since 1951. Weights of lambs marketed were heavy as production conditions were favorable. The total hundredweight of sheep and lambs marketed in 1965 on these ranches was up nearly 30 percent from a year earlier, and total cash receipts from the sale of sheep and lambs were up 48 percent from 1964. The average wool clip per animal sheared was also up from 1964 and the total amount of wool marketed in 1965 was between 6 and 7 percent greater than in 1964.

Offsetting a part of the gain was a disappointingly low price received by producers for wool. In 1965 the average price received by these

producers for shorn wool was 42 cents per pound compared with 51 cents in 1964. However, wool incentive payment rates were higher than in 1964 and total receipts from wool averaged about the same per ranch in 1964 and 1965 (table 2).

Despite drought in some sheep-producing areas of the Southwest and a lamb crop that was 6 percentage points less in 1964 than the favorable level reached in 1963, ranchers increased inventory numbers during 1965. Although fewer ewes were on hand January 1, 1966, than a year earlier, ranchers held a larger than normal number of ewe lambs off the market for replacement breeding stock.

Cash receipts were up substantially in 1965 from 1964 and were about 5 percent higher than in 1957-59, representing a recovery to 1960 and 1961 levels. Cash expenditures were down moderately because of lower feed costs. Most other categories of expenditures increased slightly. The 1965 net income's on these typical sheep ranches were close to 1957-59 levels. The inflation in land values continued through 1965 and this together with slightly more stock sheep per ranch at higher values per head meant an increase in investment per ranch.

Summary index numbers of net ranch production, income, costs, prices and returns indicated 1965 was a favorable year for these ranchers. In 1965 net ranch production was up more than a fourth from 1964, prices received were up around 10 percent and prices paid averaged slightly lower than in 1964.

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